

## Message Text

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E.O. 11652: N/A  
TAGS: BEXP, MX  
SUBJ: SIDERURGICA LAZERO CARDENAS-LAS TRUCHAS (XSICARTSA) EXPANSION

REF: A) STATE 133241 B) MEXICO 4114

PASS COMMERCE/MEPD/JASPER

1. DURING JUNE 11 VISIT TO LAS TRUCHAS SITE, EMBOFFS DISCUSSED QUESTIONS RAISED REFTEL A) WITH SICARTSA DIRECTOR ADOLFO ORIVE ALBA. ON SUBJECT OF DISCRIMINATION AGAINST U.S. SUPPLIERS, ORIVA ALBA REPEATEDLY ASSURED US THAT BIAS FOR NON-U.S. SOURCING WOULD NOT EXIST. ON CONTRARY, HE OBSERVED THAT PRESENT MOMENT PROPITIOUS FOR U.S. PARTICIPATION. HE EMPHASIZED CONDITIONS WILL BE DIFFERENT THIS ROUND AND THAT COMBINATION U.S. EXPERTISE ON FINISHING END AND SERIOUS COMPETITIVE BIDDING LIKELY TO RESULT IN CONTRACT AWARDS FOR U.S. COMPANIES. ORIVE ALBA CITED LOGISTIC ADVANTAGES, NEGATIVE EXPERIENCES WITH VARIOUS SUPPLIERS AND STATE OF DOLLAR AS IMPORTANT FACTORS IN U.S. FAVOR. HE SAID WHERE SPECIFICATIONS ARE DEEMED UNFAIR OR DELIBERATELY BIASED, SICARTSA WOULD CHANGE THEM TO ENSURE EQUALITY. HE CONCLUDED BY STRESSING THAT U.S. FIRMS SHOULD DEVELOP PROPOSALS CONFIDENTLY AND STRIVE TO COMPETE VIGOROUSLY.

2. ON FINANCING, ORIVE ALBA EXPLAINED FINANCIAL DETAILS ABOUT TO BE SETTLED. HE SAID FIVE-MAN FINANCIAL TEAM (HEADED BY SON ARMANDO ORIVE) WILL TRAVEL TO WASHINGTON WEEK OF JUNE 23 FOR

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DISCUSSIONS WITH IBRD, IDB AND EXIMBANK. HE INDICATED MEMBERS

WILL CONSULT WITH IBRD AND IDB EARLY IN WEEK AND WOULD APPRECIATE EXIM APPOINTMENTS THURSDAY, JUNE 26 OR FRIDAY, JUNE 27. STRATEGY, HE POINTED OUT, WILL BE TO SECURE LARGEST POSSIBLE CREDITS FROM IBRD/IDB THEREBY PERMITTING COMPETITION BY MEXICAN COMPANIES. SICARTSA ALSO INTERESTED, HOWEVER, IN EXIMBANK CREDIT LINE FOR VARYING AMOUNTS, BUT WITH FIXED COMPETITIVE INTEREST RATE.

3. TIMING QUESTION ALSO SOON TO BE RESOLVED. ORIVE ALBA EXPLAINED DELAY IN ISSUING SECOND STATE SPECIFICATIONS DIRECTLY RELATED TO ABSENCE OF FINANCING ARRANGEMENTS. EMBOFFS STRESSED POINTS PARA 3 REFTEL A). SPECIFICATIONS, HOWEVER, SCHEDULED TO BE COMPLETED THIS WEEK AND MADE AVAILABLE TO EMBASSY PRIOR TO PLANTY'S DEPARTURE. PROJECT TIME FRAME WILL BE SPECIFICALLY OUTLINED. FIRST PHASE OF SECOND STAGE EXPECTED TO COVER 1975-79 PERIOD AND COST 600 MILLION DOLLARS.

4. STATEMENT ON IRREGULAR PAYMENTS IN PARA 3 REFTEL B) REFERS TO ALLEGATIONS FROM VARIOUS QUARTERS THAT BRIBES PLAYED MAJOR ROLE IN FIRST STAGE DECISIONS. BRITISH EMBASSY SOURCE CLAIMS FIRST-HAND KNOWLEDGE OF JAPANESE ACTIVITY IN THIS SPHERE, HOWEVER, THESE ACCUSATIONS ALWAYS PRESENT IN MEXICAN BUSINESS MILIEU.

5. IN VIEW COINCIDENCE PLANTY CONSULTATIONS AND VISIT BY SICARTSA TEAM, WE RECOMMEND JOINT APPOINTMENT WITH O'CONNOR AND/OR RENGERS OF EXIMBANK JUNE 26 OR 27. IN ADDITION, ORIVE ALBA INDICATED SICARTSA GROUP WOULD BE PLEASED TO MEET WITH STATE AND COMMERCE OFFICIALS TO DISCUSS PROJECT. SUGGEST GROUP BE CONTACTED AT WATER-GATE HOTEL AND APPOINTMENTS ARRANGED FOR JUNE 26 OR 27. ACCORDING TO REVISED SCHEDULE DISCUSSED WITH TOM JASPER AT COMMERCE, PLANTY WILL DEPART MEXICO JUNE 23 ARRIVING PITTSBURGH SAME DAY AND WASHINGTON EVENING JUNE 25. REQUEST RESERVATION SINGLE ROOM AT PARK CENTRAL HOTEL FOR PLANTY BEGINNING EVENING JUNE 25.

5. COMMENT: THROUGHOUT OUR DAY LONG DISCUSSIONS WITH ORIVE ALBA, HE WAS CLEARLY ANXIOUS TO REASSURE US IN FRANK AND FRIENDLY MANNER. HE REPEATEDLY EXPRESSED HOPE THAT U.S. SUPPLIERS WOULD PARTICIPATE COMPETITIVELY AND FIRMLY INDICATED THE SECOND STAGE EXPERIENCE WOULD BE MORE POSITIVE. IF ANY DECISION TO AVOID U.S. SOURCING ALREADY HAS BEEN REACHED AT POLITICAL LEVEL, ORIVE ALBA PROVIDED NO HINT.  
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